

VZCZCXRO3821
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN
DE RUEHTO #0791/01 2321114
ZNR UUUUU ZZH
R 191114Z AUG 08
FM AMEMBASSY MAPUTO
TO RUEHC/SECSTATE WASHDC 9258
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHLO/AMEMBASSY LONDON 0217

UNCLAS SECTION 01 OF 02 MAPUTO 000791

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [PGOV](#) [PREL](#) [MZ](#)
SUBJECT: DECENTRALIZATION INITIATIVE INCREASES LOCAL
PARTICIPATION

¶1. (SBU) SUMMARY: A rural development/decentralization initiative using low-interest loans implemented by the GRM has brought resources to remote districts that often see relatively little state investment and has generated some increased local participation in decision-making regarding the projects to be funded and accountability by local administrators to oversee successful projects. FRELIMO leaders also appeared to hope that the program would pay political dividends for the party in upcoming local elections. As local administrators were unaware that funds need to be repaid however, and many projects funded were not income-producing, the news that repayment is required has produced an outcry that might undermine any political gains.
END SUMMARY.

\$280,000 FOR DISTRICTS, AND SOME ACCOUNTABILITY

¶2. (U) The GRM Ministry of State implemented a program late last year to ensure central government resources reached each district of the country to address local development needs. The cornerstone of this initiative was the Local Initiative Investment Fund (OIIL), which awarded up to 7 million meticaís (\$280,000) to development projects at the district level (one step below provincial administration). Some observers criticized the scheme for its lack of financial controls, suggesting that it would be easily pocketed by local officials or used to reward party faithful at the local level. Nonetheless, in many districts, the process used to identify projects (through councils made up of local citizens before approval by local administrators appointed by the central-government) generated significant local participation in decision-making and citizen oversight of the use of funds.

While some favoritism occurred, funds were used in many cases to build public infrastructure such as health clinics or schools or finance loan programs for local citizens.

GUEBUZA STRESSES DECENTRALIZATION EFFORTS...

¶3. (SBU) In order to gain favor with voters in rural areas--where FRELIMO did not fare well in previous national elections--President Guebuza has put great pressure on district administrators (mostly FRELIMO members appointed by the central government) to engage in rural development strategies at the grassroots level*of which OIIL plays a key part. Guebuza has also made the program a fundamental part of his 'open government,' when he visits districts, and highlights particularly successful OIIL projects.

...BUT REPAYMENT REQUIREMENT COMES AS A SURPRISE

¶4. (U) While originally defined as small-scale development funds, the parameters of the OIIL haven,t seemed clear, even

to the central government. In late July, the GRM clarified that OIIL funding did not constitute a grant, but must be repaid. Guebuza responded to negative comments about the repayment requirement by citing the need for transparency in governmental processes and alleging that the repayment was necessary to create an on-going source of future funding. Following the announcement, several district-level politicians announced that they will not seek OIILs due to repayment concerns. Others who have received OIIL funding threatened to sue over regulation changes.

----- --
COMMENT: POLITICAL MOTIVATION; POSITIVE RESULTS
----- --

15. (SBU) Public claims to the contrary aside, the Guebuza administration likely intended the program to further FRELIMO influence, especially in rural areas where the party has been less successful. There is no doubt that constituents in a country where the same party has been in power for so long see the line between FRELIMO and the government as blurred, and could equate funding as coming from the party and not the government. However, if Guebuza persists in his message that the funds must be repaid and penalties will accrue if repayment is not forthcoming, FRELIMO stands to potentially lose much of the political gain generated by the program from the resulting backlash.

16. (SBU) Irrespective of intentions however, the OIIL program ultimately appears to have had positive consequences in some districts by empowering local politicians, increasing accountability of those officials to their constituencies and

MAPUTO 00000791 002 OF 002

further decentralizing government, particularly in the creation of local district councils to manage programs. These councils provide governance experience at the local level, and help to engage local populations, bridging the distance between the central government and rural voters, and may act to empower local politicians outside of the central, Maputo-based FRELIMO structure.
Amani